



Real Estate Mortgage Title Insurance

Buying a Home



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Because home is everything.

1 Exploring the possibilities

➔ *Involve a Realtor early in your search and consult together often.
(It doesn't cost extra to do it that way.)*

Once you realize that you may be ready to buy a home, the first thing most people do is to go online and start looking. The pictures look great and you begin to dream about living in one of the houses.

You should find a buyers' agent to represent you. You could go to open houses where you would meet a variety of real estate agents, but that narrows your choice to a very small mix of both successful and unsuccessful agents. Successful buyers choose an agent carefully and not randomly.

A buyer's agent represents the buyer throughout the home purchasing process. On the other side, the listing agent represents sellers and is NOT interested in doing what is best for the buyer. As a matter of fact, it is illegal for the listing agent to do anything harmful to the seller's best interest, just as the buyer's agent can't do anything harmful to the buyer's interests.

Feel free to interview a few Realtors as you consider hiring a buyer's agent. Talk to them; spend some time with them. It is critical that you have an agent with the skills, knowledge and experience to communicate the true benefits and/or issues of homes you are considering. Many Realtors will meet with you for coffee—we always will—to talk about your needs before going out to look at properties. It is a good time to ask questions about your personal real estate needs and desires.

We are always willing to meet with you for a cup of coffee!

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Getting pre-qualified for a mortgage

➔ *Make sure you are working with a lender who is respected locally. It can improve the chances that your offers will be taken seriously.*

Getting pre-approved by a lender before choosing a Realtor is fine. However, because your pre-approval for will affect the rest of your housing search, it is important to make sure it is a solid pre-approval.

Not all mortgage lenders are equal. Rates may be fairly similar, but there are many other factors that can end up costing you more. Your choice of lender can even affect whether or not a seller accepts your offer. There are also pre-qualification services, usually available online, which claim to be very fast and easy! They will ask you some basic questions and give you a pre-qualification letter—but when you actually apply for the mortgage, the bank may approve you for a much lower amount.

If you are not sure whether you are in a good financial position to buy, we can put you in touch with professionals who will work with you to determine exactly what you need to do. Often, it is a matter of organizing your finances and debts differently over a period of time before purchasing a home. Don't listen to friends, relatives, and news broadcasts—consult with a qualified professional about your particular, unique situation.

There are programs to help first-time buyers and other special programs. You may qualify for a special loan even when you think you can't! That is another reason why a good local lender who is aware of programs in this area is important.

3 Shopping around

➔ *Location, condition, and the type of home are obvious factors affecting the price. Your Realtor's role is to help you understand the value of what you see.*

Now comes the fun part—looking at homes! But prepare yourself: at first, this can be a little bit disheartening. In the pictures you see online, sellers and their agents are trying to put each home in its best light. Once you see a home, virtually or in person, you may see things you don't want to see. Once, we went to look at a home and there was so much water that there were frogs in the basement!

Your Realtor should be able to help you do a rough assessment of the home's condition—and help you understand the difference between superficial damage and more serious problems. All of these issues get explored in greater depth during the actual home inspection—but that comes later!

People often learn more about what is important to them during the shopping process. You may end up finding a house that is a little different from what you thought you wanted when you first started looking.

Nothing is better than individual showings with a knowledgeable Realtor. Never be afraid to ask questions. Knowledge is the key to making good decisions.

Although he now works exclusively as a Realtor, Dave is still a licensed builder with previous experience as a residential remodeler.

(Michigan Residential Builders License #2101196465)

4 Making an offer

➔ *Each home is unique, and buyers often end up competing with each other to make the best offer. This does not mean you should overpay: it means that you need to know the local market, and understand what the seller needs.*

The negotiation process begins when it comes time to make an offer on a home. But negotiating for a home is not a matter of just trying for a lower price, like we do for other major possessions. When you shop for a car, different sellers will be offering very similar items for different prices. But when you buy a home, sellers are offering extremely different houses, each unique and in a different location, for approximately the same price.

This is where it is helpful to know the market—not only to be able to make the best offer for a home, but also to explain to the seller why the offer is good and reasonable. A good negotiator will work to understand what the seller needs from the buyer *besides* money. Negotiating the sale of a home is more complicated than just arguing over money: it is about understanding what is most important to you and what is most important to the seller—and finding a way to get the two of you together.

Put together a competitive offer. First, the potential buyers submit a signed Purchase Agreement to the seller's agent: the price you are willing to pay, terms of the sale (what is included, contingencies, dates), a deposit (or "earnest money") and your pre-approval for a mortgage. Sometimes, sellers may be receiving and reviewing multiple offers at once, and you only have one opportunity to take your best shot.

The Purchase Agreement normally includes an inspection period which gives you time for your home inspector to point out potential problems. If issues arise during the inspection period, you can re-negotiate your offer or decide not to go through with the sale.

Dave is not only a "Certified Real Estate Negotiator," he is also one of the few Master Certified Negotiation Experts in Michigan.



5 Applying for a mortgage

➔ *Once you've agreed on the price and terms, it is time to apply for the loan.*

You have already made good strides by being pre-approved by a good, reputable lender. Still, you may be surprised by some of the requests made by the bank's underwriter. Your realtor can help you navigate this process and explain why the bank is asking for seemingly ridiculous information. During this time period, a Realtor can also help you understand what new expenses could create red flags or interrupt the process. To put it simply: save any major credit purchases like vacations, major purchases or even furniture for your new home until after closing. This includes buying or leasing cars.

There will usually be an appraisal on the property after you apply for your loan. The bank will send an independent appraiser out to the property to make sure that the price you are willing to pay is not more than the bank's assessment of its market value. The appraiser's opinion counts for a lot. If you and the seller both agree on the price—for example, \$300,000—and the bank's appraiser says the property is worth only \$280,000, there is a problem. Unless you have another \$20,000 or the seller lowers the price, you are not going to be able to purchase the home. This is another negotiation situation between you and the seller.

The appraiser's opinion is not necessarily your "true value" of the property. Appraisers abide by the "principle of substitution" and compare the appraised property with others they believe to be similar. Factors that are important to you may not even be considered by an appraiser, such as colors, sunlight exposure, kitchen style, flooring type, neighbors, traffic, trees or even the direction the house faces!

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Home inspections

➔ *A good inspector will inspect your home thoroughly and honestly, without exaggerating needed repairs.*

After you've applied for the loan, we schedule an inspection. Even though Dave has built and remodeled houses, it is very important for our clients to have an independent, trustworthy home inspector give them a detailed assessment of the house. You need to know what is good, what needs repairs, and what could be a deal-killer. The inspection process gives you the opportunity to back out of the contract if major unexpected problems are found—or to re-negotiate with the seller.

There is no licensing process or requirement for home inspectors in the state of Michigan, so it is important to choose an inspector who is qualified. Some inspectors have a reputation for repeatedly exaggerating problems and cost of repairs, which can cause a buyer to decide against buying the home—and to hire the same inspector for their next potential home! Others have a reputation as a “rubber stamp” that approve almost everything. Good inspectors will show you everything they find and can explain the significance of each item. They can also give advice on caring for your new home.

For the most part, people buy used homes, so there is always going to be some issue. It is important to gain a realistic picture of how serious that problem is from a qualified expert. Even with new builds, it is wise to get an independent inspection.

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Closing

▶ *Closing on a home involves banks, governments, lawyers, title companies, agents, buyers, sellers and a lot of coordinating among them all.*

You don't want to wander alone through this process! A good Realtor will help you understand every step of the way, make sure everyone is getting everything done on time, and even make sure the underwriters are getting the things they need to underwrite the loan.

Sometimes, the sellers may need a little more time to move out of their home, and will arrange to rent back from the buyer after closing. For example, if you close on a Thursday, and they hadn't scheduled movers until the following Monday, they may want time to get the house all cleaned up for you. (This can help you as the buyer, too—because it allows you to spend money *after* closing to hire movers, or to arrange for pizza and fine beverages for all the friends who are going to help you move!)

After closing, your Realtor will still be available to help you get settled and can give you recommendations about things that you might need or want. Your Realtor is also somebody you can always call with questions, and can tell you, for example, whether an email or letter about the house is a scam.

We try to make the process as painless as we can. Depending on the situation you're moving from and what is driving you to move, it can be a great time or a difficult time—but a good Realtor will make it as smooth as possible.